

House File 2320 - Introduced

HOUSE FILE _____
BY PETTENGILL

Passed House, Date _____ Passed Senate, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to the providing of income tax, franchise tax,
2 premium tax, and moneys and credits tax credits for employers
3 paying part of their employees' student loans and including a
4 retroactive applicability date provision.
5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:
6 TLSB 5752YH 82
7 mg/rj/5

PAG LIN

1 1 Section 1. NEW SECTION. 261.130 DEFINITIONS.
1 2 As used in this division, unless the context otherwise
1 3 requires:
1 4 1. "Accredited higher education institution" means an
1 5 institution of higher education as defined in section 261.92.
1 6 2. "Commission" means the college student aid commission
1 7 created in section 261.1.
1 8 3. "Qualified undergraduate loan" means a federally
1 9 guaranteed student loan authorized under the federal Higher
1 10 Education Act of 1965, 20 U.S.C. } 1071 et seq., or a loan
1 11 originated by banks, savings and loans, or credit unions
1 12 located in Iowa for purposes of attending an accredited higher
1 13 education institution.
1 14 Sec. 2. NEW SECTION. 261.131 STUDENT LOAN REPAYMENT TAX
1 15 CREDIT PROGRAM.
1 16 1. The commission shall establish a student loan repayment
1 17 tax credit program for employers who repay qualified
1 18 undergraduate loans of students employed in this state by the
1 19 employer. Under the program eligible employers shall be
1 20 entitled to a tax credit to be allowed against the taxes
1 21 imposed under chapter 422, division II, III, or V, or chapter
1 22 432, or against the moneys and credits tax imposed in section
1 23 533.329.
1 24 2. An eligible employer shall receive a credit equal to
1 25 thirty percent of the amount of the qualified undergraduate
1 26 loan repaid by the employer for an employee in the tax year.
1 27 However, in computing the amount of the tax credit only the
1 28 following repayment amount shall be used in the computation:
1 29 a. For the first tax year, not more than fifteen percent
1 30 of the maximum qualified undergraduate loan.
1 31 b. For the second tax year, not more than fifteen percent
1 32 of the maximum qualified undergraduate loan.
1 33 c. For the third tax year, not more than twenty percent of
1 34 the maximum qualified undergraduate loan.
1 35 d. For the fourth tax year, not more than twenty=five
2 1 percent of the maximum qualified undergraduate loan.
2 2 e. For the fifth tax year, not more than twenty=five
2 3 percent of the maximum qualified undergraduate loan.
2 4 For purposes of the computation of the tax credit pursuant
2 5 to this subsection, "maximum qualified undergraduate loan"
2 6 equals twenty=five thousand dollars.
2 7 3. To qualify as an eligible employer for purposes of the
2 8 tax credit under subsection 2, an employer shall meet all of
2 9 the following:
2 10 a. Pay the employee for whom the loan repayment is to be
2 11 made an annualized salary or wage of at least twenty=five
2 12 thousand dollars.
2 13 b. Employ the individual primarily in this state.
2 14 c. Begin repayment of the qualified undergraduate loan
2 15 within six months of the initial hiring date of the employee.
2 16 For purposes of this paragraph, an employee who is already
2 17 employed by the employer as of July 1, 2008, shall be
2 18 considered to be initially hired as of that date.

2 19 4. If the employer is a partnership, S corporation,
2 20 limited liability company, estate, or trust electing to have
2 21 the income taxed directly to the individual, an individual may
2 22 claim the tax credit allowed. The amount claimed by the
2 23 individual shall be based upon the pro rata share of the
2 24 individual's earnings of the partnership, S corporation,
2 25 limited liability company, estate, or trust.

2 26 5. Any credit in excess of the tax liability for the tax
2 27 year shall be refunded with interest computed under section
2 28 422.25. In lieu of claiming a refund, a taxpayer may elect to
2 29 have the overpayment shown on its final, completed return
2 30 credited to the tax liability for the following tax year.

2 31 Sec. 3. NEW SECTION. 261.132 TAX CREDIT CERTIFICATE
2 32 PROCEDURE.

2 33 1. An employer seeking the student loan repayment tax
2 34 credit under this division shall apply to the commission on
2 35 the form prescribed by the commission, provide verification
3 1 that the employer is eligible as required under section
3 2 261.131, subsection 3, and any other information required by
3 3 the commission or the department of revenue.

3 4 2. After verifying the eligibility for the tax credit, the
3 5 commission, in consultation with the department of revenue,
3 6 shall issue a student loan repayment tax credit certificate to
3 7 be attached to the person's tax return. The tax credit
3 8 certificate shall contain the taxpayer's name, address, tax
3 9 identification number, the dates of loan repayment, the amount
3 10 of credit, and other information required by the department of
3 11 revenue.

3 12 Sec. 4. NEW SECTION. 422.11V STUDENT LOAN REPAYMENT TAX
3 13 CREDIT.

3 14 The taxes imposed under this division, less the credits
3 15 allowed under section 422.12, shall be reduced by a student
3 16 loan repayment tax credit authorized pursuant to sections
3 17 261.130 through 261.132.

3 18 Sec. 5. Section 422.33, Code Supplement 2007, is amended
3 19 by adding the following new subsection:

3 20 NEW SUBSECTION. 25. The taxes imposed under this division
3 21 shall be reduced by a student loan repayment tax credit
3 22 authorized pursuant to sections 261.130 through 261.132.

3 23 Sec. 6. Section 422.60, Code Supplement 2007, is amended
3 24 by adding the following new subsection:

3 25 NEW SUBSECTION. 15. The taxes imposed under this division
3 26 shall be reduced by a student loan repayment tax credit
3 27 authorized pursuant to sections 261.130 through 261.132.

3 28 Sec. 7. NEW SECTION. 432.12L STUDENT LOAN REPAYMENT TAX
3 29 CREDIT.

3 30 The taxes imposed under this chapter shall be reduced by a
3 31 student loan repayment tax credit authorized pursuant to
3 32 sections 261.130 through 261.132.

3 33 Sec. 8. Section 533.329, subsection 2, Code Supplement
3 34 2007, is amended by adding the following new paragraph:

3 35 NEW PARAGRAPH. n. The moneys and credits tax imposed
4 1 under this section shall be reduced by a student loan
4 2 repayment tax credit authorized pursuant to sections 261.130
4 3 through 261.132.

4 4 Sec. 9. RETROACTIVE APPLICABILITY DATE. This Act applies
4 5 retroactively to January 1, 2008, for tax years beginning on
4 6 or after that date.

4 7 EXPLANATION

4 8 This bill provides a tax credit for an employer who repays
4 9 any portion of an employee's undergraduate student loan. The
4 10 tax credits are allowable under the individual and corporate
4 11 income taxes, franchise tax, insurance premiums tax, and
4 12 moneys and credits tax of credit unions.

4 13 To be eligible for the tax credit the employer must pay an
4 14 annualized salary or wage of at least \$25,000, employ the
4 15 person in this state, and begin repayment of the student loan
4 16 within six months of the hiring date. However, the bill
4 17 provides that the hiring date for an employee already employed
4 18 as of July 1, 2008, shall be considered July 1, 2008.

4 19 The amount of the tax credit equals 30 percent of the
4 20 amount of the loan repaid not to exceed a certain percentage
4 21 of the first \$25,000 of the student loan. This percentage may
4 22 be claimed over a five-year period, 15 percent for the first
4 23 and second tax years, 20 percent for the third tax year, and
4 24 25 percent for the fourth and fifth tax years.

4 25 The bill applies retroactively to January 1, 2008, for tax
4 26 years beginning on or after that date.